

MEMORANDUM

To: Board of Supervisors

Through: Tim Hemstreet, County Administrator

From: Megan Bourke, Acting Deputy Director, Finance and Budget
Jeanette Green, Director, Human Resources

Date: March 17, 2022

Subject: Employee Pay Recommendations

The FY 2023 Proposed Budget was prepared with the following employee pay recommendations:

- Three percent merit pay increase for general workforce,
- One-step increase for public safety workforce, and
- Three percent salary scale adjustment to each pay plans' pay scales.

The total cost of these three pay recommendations is budgeted at \$13.6 million. For much of the general workforce, which is on an open range pay plan, the three percent merit increase is the only pay increase that would apply. For public safety, which is on a grade and step plan, the cumulative increase would be approximately six percent, as the three percent salary scale adjustment increases the value of each grade and step, and a step increase averages approximately three percent for eligible personnel.

The Board's adopted compensation philosophy is to deliver compensation within 95 percent to 105 percent of the market average. Since the FY 2023 budget was proposed in early February, the County's comparator jurisdictions have released their planned pay increases. Based on the information that staff has collected, the County's pay recommendations are not in sync with our comparators. Table 1 summarizes this information.

Based on our comparators' planned pay increases, staff is recommending the FY 2023 Proposed Budget be amended to provide:

- Five percent merit increase for general workforce, and
- Four percent adjustment to the general workforce pay plan.

The additional 2 percent of merit increase will bring the general workforce pay in line with the Board's compensation philosophy as well as provide similar pay increases between the

County's general workforce and public safety employees. This recommended two percent pay increase has a fiscal impact of \$4 million for FY 2023.

The four percent general workforce salary scale adjustment will ensure the County's pay plan midpoints remain in line with our comparator jurisdictions. The current pay scales are based on salary survey data collected by Evergreen Solutions in 2018 during Phase 2 of the Classification and Compensation Study and have not been adjusted since implemented in February 2020. Human Resources recommends adjustments to the County's pay scales for FY 2023 to avoid falling behind our comparators, most of whom are proposing 3 percent or higher adjustments to their pay plans. Staff recommends increasing the general workforce pay scale adjustment to four percent, while maintaining a three percent scale adjustment for public safety. Pay scale adjustments are market-based, rather than based on parity between types of pay plans, and it is not uncommon to have divergent salary scale adjustments between pay plans. The fiscal impact of increasing the general workforce pay scale adjustment from three to four percent is negligible.

Increasing the planned merit pay and salary scale adjustments can also be seen as a strategy to address the County's difficult recruitment and retention environment. The County has seen an increase in the turnover rate (from 8.6 percent for FY 2021 to an 11.5 percent annualized rate in FY 2022 to-date) and has had trouble recruiting qualified applicants to fill vacancies. Keeping pay and our pay plans in line with our comparator market is essential to reducing turnover.

Table 1. FY 2023 Comparator Pay Increases

Jurisdiction	General Workforce	Public Safety
Arlington County	4.25% merit	6.5% merit
City of Alexandria	7% est. total: 4% market adj., 3% est. avg. merit	8 to 9% est. total: 5% market adj. – Police 6% market adj. – Fire 3% est. avg. merit
Fairfax County	6.16% avg. total: 4.01% market adj., 2.15% avg. merit	7.86% avg. total: 4.01% market adj., 3.85% avg. merit
Prince William County	4% total: 1% market adj., 3% merit	4% total: 1% market adj., 3% merit
Loudoun County, Proposed	3% merit	6% total: 3% scale adj., 3% avg. step
Loudoun County, Recommended	5% merit	No Change

Funding for the additional two percent merit pay is recommended to come from a \$4 million adjustment to the County's centrally managed "personnel vacancy savings." This negative line item, which is budgeted at negative \$25 million for FY 2023, reflects the typical personnel savings realized by the organization due to some level of positions being vacant for a period of time throughout the fiscal year. The County's planned vacancy savings target fluctuates

between four to five percent and is centrally budgeted in the General Fund's Non-Departmental budget.

The County typically generates more vacancy savings throughout the year compared to our target; the savings is realized in year-end fund balance and reflected in our quarterly projections of fund balance. Over the past five years, the County's actual personnel savings was between five and six percent. Staff believe that increasing budgeted vacancy savings from negative \$25 million to negative \$29 million is an appropriate adjustment to address pay equity between the County's comparators. This adjustment would shift the County's FY 2023 vacancy target from 4.6 percent to 5.3 percent, which is well-within the County's actual savings realized from vacancies.

Staff monitors the General Fund budget monthly. Should staff identify the organization is not meeting this revised vacancy target in FY 2023, vacant positions will be held vacant for a longer period to ensure the vacancy target is met by the conclusion of the fiscal year.